

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Program

EXECUTIVE SUMMARY

Applicant: Vista Community Clinic (“VCC”) 1000 Vale Terrace Vista, California San Diego County		Amount Requested: \$400,000	
		Requested Loan Term: 15 years	
		Date Requested: April 24, 2003	
		Resolution Number: HII-144	
Project Site: 1000 Vale Terrace, Vista, California			
Facility Type: Community Clinic			
Use of Loan Proceeds: Loan proceeds will be used to renovate the second floor of an existing facility to meet a growing demand for dental and medical services.			
Type of Issue: HELP II Loan			
Prior HELP II Borrower: No			
Financial Overview: VCC’s patient base has grown during our review period. VCC has achieved positive operating results through good management of revenue and expenses with a focus on the diversity of revenues. VCC has no long-term debt, a very strong current ratio, and net assets in excess of \$15 million.			
Sources of Revenue: (FYE 6-30-02)		<u>Amount</u>	<u>Percent</u>
Grant and contract revenue		\$7,977,180	50.9%
Net patient service revenue		7,388,701	47.1%
Other revenue		<u>301,084</u>	<u>2.0%</u>
Total revenue, gains and other support		<u>\$15,666,965</u>	<u>100.0%</u>
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II loan	\$400,000	Renovation	\$393,000
New Start 330(e) funds*	<u>127,680</u>	Equipment	127,680
		Financing costs	<u>7,000</u>
Total Sources	<u>\$527,680</u>	Total Uses	<u>\$527,680</u>
*Bureau of Primary Health Care federal grant			
Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.			
Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Vista Community Clinic, subject to the standard HELP II loan provisions.			

STAFF SUMMARY AND RECOMMENDATION

Vista Community Clinic (“VCC”)

April 24, 2003

Resolution Number: HII-144

PURPOSE OF FINANCING: As part of VCC’s overall strategic plan, VCC is embarking in its final phase of a three-phase development and capital campaign plan. This plan was designed to meet VCC’s growing demand for dental and medical services. Fundraising activities have enabled VCC to purchase, renovate and operate community clinics throughout North San Diego County.

***Renovation of Vale Terrace site*\$393,000**

VCC plans to renovate approximately 3,000 square feet within the second story of the Vale Terrace site that was recently vacated by its health education and counseling staff which relocated to an office building adjacent to the clinic. This renovation will add a suite with three dental operatories and four medical examination rooms as well as expand the pharmacy. VCC has recently begun construction and anticipates that it will be completed in August 2003.

According to the San Diego County Tax Collector’s Office, the estimated property value for 2003 is over \$4.2 million, leading a loan to value ratio of 9.5%. Construction costs of the securitized building were \$2.4 million in 1996. Given the very low loan to value ratio, staff recommends waiving the standard appraisal requirement.

***Purchase of equipment*127,680**

VCC was reclassified as a New Start 330(e) health center by the Bureau of Primary Health Care. This new federal funding grant is to be used for the purpose of expanding medical, dental, and mental health services to the uninsured and indigent in VCC's community. The grant included one-time funding of \$127,680 to purchase dental equipment to expand VCC's scope of service. VCC will receive ongoing operational funds to provide medical and dental care to VCC patients.

***Financing Costs* 7,000**

Authority Fee\$5,000
Title/escrow fees2,000

***Total*.....\$527,680**

Financing structure:

- 15-year fully amortized loan in the amount of \$400,000.
- 180 equal monthly payments of approximately \$2,762 (total annual payments of \$33,144).
- Total interest payments of approximately \$92,219.
- First position lien on the property located at 1000 Vale Terrace, Vista, California.
- First position lien on corporate gross revenues.

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II. FINANCIAL STATEMENTS AND ANALYSIS:

Vista Community Clinic Statement of Activities (Unrestricted)

	<u>Eight-Months</u> <u>Period Ended</u>	<u>For the Year Ended June 30,</u>		
	<u>February 2003</u> <u>(Unaudited)</u>	<u>2002</u>	<u>2001</u> <u>(Restated)</u>	<u>2000</u>
Revenue, gains and other support:				
Net patient service revenue	\$ 4,945,923	\$ 7,388,701	\$ 6,126,194	\$ 5,851,187
Grant and contract revenue	5,833,882	7,977,180	7,042,610	6,476,396
Other revenue	158,240	301,084	735,371	1,209,161
Total revenue, gains and other support	<u>10,938,045</u>	<u>15,666,965</u>	<u>13,904,175</u>	<u>13,536,744</u>
Expenses:				
Salaries and wages	6,486,130	8,756,631	7,944,926	7,018,576
Payroll taxes and benefits	919,483	1,299,451	1,186,166	1,042,882
Medical supplies and drugs	623,562	914,610	814,935	812,665
Office supplies	302,765	365,108	343,728	269,716
Occupancy	358,527	359,392	328,533	253,207
Miscellaneous	229,377	347,422	545,337	620,968
Contract services	368,205	340,806	294,942	273,893
Equipment and rental/maintenance	177,899	331,756	277,114	187,256
Depreciation and amortization	206,125	289,977	245,628	209,374
Mileage and travel	114,362	181,564	142,779	147,531
Education and training	62,528	179,227	114,838	80,570
Telephone	95,260	175,490	186,611	136,362
Insurance	123,806	172,370	143,396	147,397
Public relations/advertising	70,248	112,028	97,625	133,407
Printing	53,158	81,536	66,371	82,530
Postage	28,838	34,038	33,226	34,980
Other	19,866	150,050	18,136	104,141
Total expenses	<u>10,240,139</u>	<u>14,091,456</u>	<u>12,784,291</u>	<u>11,555,455</u>
Increase in unrestricted net assets	697,906	1,575,509	1,119,884	1,981,289
Unrestricted net assets, beginning of year	<u>12,758,111</u>	<u>11,182,602</u>	<u>10,062,718</u>	<u>7,209,767</u>
Unrestricted net assets, end of year	<u>\$13,456,017</u>	<u>\$12,758,111</u>	<u>\$11,182,602</u>	<u>\$ 9,191,056</u>

The 2001 audited financial statement was restated due to the change from a cash basis to an accrual basis.

Vista Community Clinic
Balance Sheet

	As of February 28, 2003 (Unaudited)	2002	As of June 30, 2001 (Restated)	2000
Assets				
Current assets:				
Cash and cash equivalent	\$ 5,071,509	\$ 5,026,219	\$ 3,085,731	\$ 2,584,600
Investments	2,120,437	2,189,043	2,328,816	2,172,000
Patient accounts receivable	1,336,947	1,415,573	809,653	-
Grants and contracts receivable	1,097,783	1,479,753	1,241,581	897,756
Inventory	38,680	38,680	49,890	51,452
Prepaid expenses and deposits	109,993	67,067	84,352	45,234
Total current assets	<u>9,775,349</u>	<u>10,216,335</u>	<u>7,600,023</u>	<u>5,751,042</u>
Assets restricted to investment in property and equipment:				
Pledges receivable	27,201	32,949	68,243	132,042
Property and equipment, net	6,209,460	5,619,541	5,606,042	4,921,482
Total assets	<u>\$ 16,012,010</u>	<u>\$ 15,868,825</u>	<u>\$ 13,274,308</u>	<u>\$ 10,804,566</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 200,442	\$ 297,630	\$ 356,163	\$ 225,560
Accrued payroll and other expenses	593,326	925,187	913,907	834,868
Contingency accrual	15,000	15,000	15,000	15,000
Deferred pledge income	118,134	141,798	68,243	132,042
Total current liabilities	<u>926,902</u>	<u>1,379,615</u>	<u>1,353,313</u>	<u>1,207,470</u>
Net assets:				
Temporarily restricted	1,629,091	1,731,099	738,393	406,040
Unrestricted	13,456,017	12,758,111	11,182,602	9,191,056
Total net assets	<u>15,085,108</u>	<u>14,489,210</u>	<u>11,920,995</u>	<u>9,597,096</u>
Total liabilities and net assets	<u>\$ 16,012,010</u>	<u>\$ 15,868,825</u>	<u>\$ 13,274,308</u>	<u>\$ 10,804,566</u>

Financial Ratios:

	Proforma (1) FYE 2002			
Debt Service Coverage (x)	56.28x	N/A	N/A	N/A
Debt/Unrestricted Net Assets (x)	.03	N/A	N/A	N/A
Margin (%)		10.06%	8.05%	14.64%
Current Ratio (x)		4.76	5.62	7.41

The 2001 audited financial statement was restated due to the change from a cash basis to an accrual basis.

(1) Recalculates June 2002 audited results to include the impact of this financing.

Financial Discussion:

VCC's patient base has grown during our review period. VCC has achieved positive operating results through good management of revenue and expenses with a focus on the diversity of revenues.

VCC has maintained strong growth in revenue during our review period. Net patient revenues have increased by 26%, while grant and contract income has increased by 22%. The combination of these revenue sources has provided VCC with a growing diverse revenue base. VCC has been very successful in receiving grant and contract income, as this makes up approximately 50% of its revenue base. Examples of the grants and contracts are Border Health, Second Chance, Homeless Outreach, Family Planning (Title X) and Ryan White Care Act Outreach.

VCC operating profits have been consistent during our review period ranging from \$1.9 million to \$1.5 million, an impressive 10.06% margin. Along with growing revenues, VCC's expenses have grown by 22%. Since 2000, VCC experienced an increase in salaries and wages of 25% due to the addition of grant-funded programs and the addition of its Pier View Way primary care clinic that opened in July 2000 which expanded services to a growing population base.

VCC is one of the most successfully operated clinics to be funded by the HELP II loan program. Management has done an excellent job in growing its business while controlling its operating expenses.

VCC has no long-term debt, a very strong current ratio, and net assets in excess of \$15 million.

VCC maintains a very strong current ratio, which is 4.76x for the current fiscal year. This proposed \$400,000 Help II loan would become VCC's only outstanding debt, resulting in an outstanding proforma debt service ratio of 56.28x. Furthermore, the proforma debt-to-unrestricted-net-assets ratio is minimal at .03x.

III. UTILIZATION STATISTICS:

Vista Community Clinic (Patient Visits)				
<u>Type of Service</u>	8 Months		Fiscal year ending June 30,	
	Ended Feb. 28			
	2003	2002	2001	2000
Self-pay	22,084	29,528	31,428	33,716
Medi-Cal	27,090	37,023	35,191	33,743
Medicare	2,072	3,194	2,741	2,575
Managed Care	16,876	24,553	20,513	18,860
Healthy Families	3,351	4,589	3,839	2,263
HAP	11,703	15,700	16,033	17,388
CHDP NonCal	3,772	7,316	10,324	11,051
Other	11,912	18,868	14,809	10,141
Totals	98,860	140,771	134,878	129,737

IV. ORGANIZATION:

Background: The mission of the Vista Community Clinic is to provide comprehensive primary health care and health education services, with a focus on those in need due to economic, social or cultural barriers. Since 1972, VCC has served a steadily increasing number of uninsured, indigent and underinsured working poor in the north San Diego County area.

VCC has four clinic sites: one in downtown Vista; one on the border between Oceanside and Vista in (Vista); and two in Oceanside.

VCC's service area includes Vista, Oceanside, Carlsbad, Fallbrook, Bonsall and unincorporated communities in these areas. In 2002, VCC serve 41,000 patients resulting in nearly 141,000 patient visits. Half of the total patients are 18 years old or younger. Of the total patients, 60% are Hispanic, 28% are Caucasian, 6% are African American, 3% are Asian/Pacific Islanders and 3% are "Other". Approximately 90% of the patients have family incomes below the federal poverty level. Migrant farmworkers comprise approximately 27% of VCC's patients. VCC also serves the urban homeless and has the largest caseload of HIV patients in north San Diego County.

Particular services provided include prenatal care, pediatrics, adult medicine, family planning, HIV screening and testing, health care for the homeless, geriatric services, hypertension screening, inoculations and childhood immunizations. Lab tests, medications, and health education classes are available on-site.

VCC also has a broad education program which addresses alcohol and drug abuse, tobacco use, AIDS, reproductive health, disease prevention, nutrition education and the appropriate utilization of the hospital emergency room. VCC also performs case management services for migrant farmworkers and low-income urban residents.

Licenses: VCC is licensed with the State Department of Health Services as a Community Clinic.

Contracts: VCC contracts with Medi-Cal, Medicare, CHDP, private insurance, foundations and various government entities at all levels. VCC is also approved as a Federal Qualified Health Center (FQHC), whereby it receives cost-based reimbursement for certain services provided to its Medi-Cal and Medicare patient base.

Service Area and Competition: VCC serves approximately 141,000 patient visits annually. There is only one other community health center that operates in the community, North County Health Services, which also operates at capacity with approximately 50% of the market share.

Health Facility Location	Patient Visits	Market Share (%)	Estimated Distance Away
North County Health Services	140,000	50%	10 miles
Vista Community Clinic	141,000	50%	N/A

V. OUTSTANDING DEBT:

Description	Original Amount	Amount Outstanding As of 6/30/02 (audited)	Estimated Amount Outstanding After Proposed Financing
Existing:			
N/A	N/A	N/A	N/A
Proposed:			
CHFFA HELP II Loan, 2003		N/A	\$400,000
TOTAL DEBT		N/A	\$400,000

VI. SECTION 15438.5 OF THE ACT:

By obtaining this financing and completing the project, VCC will be able to provide additional services. Dental services will be added to VCC's current primary care services. VCC will be able to provide over 10,500 additional patient visits of which more than 6,000 will receive medical services and more than 4,500 dental visits will be provided for uninsured, low to moderate income residents. While patients will be expected to pay a portion of the cost of their care based on their income and number of dependents, The Bureau of Primary Health Care 330(e) New Start grant, which is providing \$127,680 to purchase dental equipment, will also help underwrite the cost of the services for the uninsured. No person will be denied services based on their ability to pay. HELP II funds will make it possible for VCC to renovate the existing facility for the purpose of creating new examination rooms and dental operatories.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Vista Community Clinic subject to the standard HELP II loan provisions.